

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 L-03 H-01 PA-01 PRS-01 /084 W
----- 017509 /15

R 152158Z DEC 76
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 9205

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E.O. 11652: N/A
TAGS: EGEN MX
SUBJECT: PUBLIC-PRIVATE SECTOR AGREEMENTS

REF: MEXICO 15646

1. FOLLOWING COMMENTS ON PUBLIC-PRIVATE SECTOR AGREEMENTS
CAME FROM AMBASSADOR'S DECEMBER 13 MEETING WITH U.S. BUSI-
NESSMEN. U.S. BUSINESSMEN VIEW AGREEMENTS NOT AS BINDING, BUT
RATHER AS A "LETTER OF INTENT". ONE BUSINESSMAN SAID HIS WAS
THE ONLY FOREIGN COMPANY IN HIS INDUSTRIAL GROUP (FATS AND
OILS) AND HE WAS UNDER CONSIDERABLE PRESSURE TO SIGN.

2. IT IS NOT CLEAR IF THE PROPOSED INVESTMENT OVER THE SIX-
YEAR PERIOD WOULD BE ADDITIONAL. AUTOMOBILE REPRESENTATIVES
SAID THIS WAS NOT NECESSARILY THE CASE FOR THEIR COMPANIES
WHOSE INVESTMENTS WOULD DEPEND ON THEIR OWN ASSESSMENT OF THE
ECONOMIC SITUATION. TIME FRAME FOR PROPOSED NEW INVESTMENT
APPEARS TO VARY FROM GROUP TO GROUP, IN SOME CASES BEING A
TWO-YEAR PERIOD AND IN OTHER CASES LONGER. THE BUSINESSMAN
SAID "SHORT-TERM" LABEL APPLIED TO AGREEMENTS WOULD BE
LONGER THAN GOM INTENDS AND SHORTER THAN INDUSTRY HOPES FOR.

3. SOME GOM-OWNED ENTERPRISES PARTICIPATED IN THE NEGOTIA-
TIONS. APPARENTLY THE FIRST AGREEMENT SIGNED WAS FOR PETRO-
CHEMICALS AND INVOLVED ONLY PEMEX.

4. THE ELEVENTH AGREEMENT WAS TO HAVE BEEN BETWEEN THE JLP
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TEAM AND THE BASIC CONSUMER DURABLES INDUSTRY. THIS WAS NOT

SIGNED FOR REASONS WHICH OUR BUSINESS CONTACTS WERE NOT CERTAIN, BUT BELIEVED DUE TO THE LARGE NUMBER AND VARIETY OF FIRMS INVOLVED.

5. THE BUSINESSMEN ARE NOT CLEAR WHAT APPROACH JLP WILL TAKE TO PRICE CONTROLS, BUT SOME SUSPECTED THAT HE MAY TRY TO CUT BACK ON THE NUMBER OF ITEMS THAT ARE PRICE-CONTROLLED, LIMITING THESE TO BASIC CONSUMER GOODS AND SOME CONSUMER DURABLES. SOME WORRY WAS EXPRESSED THAT PRICE CONTROLS WOULD BE APPLIED TO ONE "BASIC MODEL" WITH FIRMS EXPECTED TO MAKE UP LOSSES IN SALES OF OTHER MODELS, (CHARACTERIZED AS THE "VENEZUELAN SOLUTION").

6. WE VIEW THE AGREEMENTS AS A PUBLIC RELATIONS MEASURE MORE THAN AN ELABORATE ATTEMPT AT SECTORAL PLANNING. THEY HAVE ALREADY BEEN A PUBLIC RELATIONS SUCCESS BUT ONLY TIME CAN JUDGE THEIR USEFULNESS AS PLANNING TOOLS.

7. PARTICIPANTS IN THE DISCUSSIONS SAID THAT NEWSPAPER SUMMARIES WERE ACCURATE. THE OVERALL COVERING AGREEMENT IS AVAILABLE, BUT INDIVIDUAL SECTOR AGREEMENTS ARE MORE CLOSELY HELD. BUSINESSMEN GENERALLY WERE ENCOURAGED BY PREAMBLE LANGUAGE REAFFIRMING RIGHTS OF PRIVATE PROPERTY, RULE OF LAW AND DESIRABILITY OF REASONABLE PROFITS. ALL PARTICIPANTS WERE IMPRESSED BY CONCISE, PUNCTUAL AND EFFICIENT NATURE OF SIGNING CEREMONY OF OVERALL AGREEMENT.
THOMPSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, EMPLOYMENT, PRODUCTION, AGREEMENTS, BUSINESS FIRMS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MEXICO15754
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760462-0684
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761241/aaaabjga.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 MEXICO 15646
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by BoyleJA>; APPROVED <05 NOV 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PUBLIC-PRIVATE SECTOR AGREEMENTS
TAGS: EGEN, MX
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006